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*Electronically filed on June 22, 2010*

*Proposed Counsel for Official Committee of  
Equity Security Holders*

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEVADA**

In re:  
  
SPECIALTY TRUST, INC., et al.  
  
Debtors.

Case No. 10-51432-GWZ  
Jointly Administered

Chapter 11

**DECLARATION OF KAARAN THOMAS,  
ESQ. IN SUPPORT OF OMNIBUS  
RESPONSE OF OFFICIAL COMMITTEE  
OF EQUITY SECURITY HOLDERS TO  
OBJECTIONS TO APPLICATION  
PURSUANT TO FED. R. BANKR. P.  
2014(a) FOR ORDER UNDER SECTION  
1103 OF THE BANKRUPTCY CODE  
AUTHORIZING THE EMPLOYMENT  
AND RETENTION OF FTI CONSULTING,  
INC. AS FINANCIAL ADVISORS TO THE  
OFFICIAL COMMITTEE OF EQUITY  
SECURITY HOLDERS NUNC PRO TUNC  
TO JUNE 11, 2010**

**(AFFECTS ALL DEBTORS)**

**Hearing Date: June 22, 2010  
Hearing Time: 11:00 a.m.**

I, Kaaran Thomas, Esq. declare under penalty of perjury:

I am an attorney licensed to practice before this court and the head of the bankruptcy group of McDonald Carano Wilson LLP ("MCW"). MCW has been selected as proposed counsel for the Official Committee of Equity Security Holders (the "Committee") and has been involved

1 with the Committee since its formation. I have personal knowledge of the matters set forth below  
2 and am competent to swear or affirm to these matters if called to testify under oath.

3 1. On May 24, 2010, an Equity Committee was appointed by the Office of the United  
4 States Trustee and made up of five shareholders who were willing to serve. MCW met with  
5 Committee members on or about May 24 and was involved with the Committee from and after  
6 that date.

7  
8 2. The Committee began the process of interviewing financial advisors immediately  
9 upon its formation. The Committee interviewed Alix Partners, Mesirow Financial and FTI. In  
10 addition, at Debtors' invitation, Committee members attended Debtors' interviews with Debtors'  
11 potential advisors, Alvarez and Marsal and Imperial Capital. The Debtor eventually selected  
12 Imperial Capital. Upon the Committee's selection of FTI the two firms, FTI and Imperial Capital  
13 began the task of coordinating the work between the two firms. The Committee and the Debtors  
14 had discussed the limited budget and the need for coordination during the entire interview  
15 process, and the firms were selected, in part, on the basis of their ability to coordinate their  
16 respective expertise to the benefit of the Debtors' estates and parties in interest.

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18 3. FTI made its presentation to members of the Committee and their Counsel on June  
19 9, 2010 and was notified that they had been selected on June 11, 2010.

20  
21 4. The Committee's position is to some extent aligned with that of the Debtors and  
22 with all parties in interest, including the objecting parties, in that all parties will benefit if the  
23 Debtors' going concern value is preserved and maximized. On the other hand, the Committee's  
24 interests also diverge from the Debtors'. The Debtors have only one employee. Their business is  
25 conducted, and financial decisions are made, by Specialty Financial Corp, a separate corporation.  
26 [Declaration of Nello Gonfiantini III Doc 37 par 6]. By way of example, and without limiting the  
27 scope of the Committee's divergent interests, three of Debtors' largest loans have been made to  
28

1 entities affiliated with Specialty Financial Corp. These loans and the relationship between  
2 Specialty Trust, Inc. and Specialty Financial Corp. must be examined. Specialty Financial Corp.  
3 has a potential conflict of interest with respect to the review and analysis of it's (and its affiliates)  
4 relationship with the Debtors. The Committee is charged with the fiduciary duty to investigate  
5 this relationship.

6  
7 5. Both FTI and the Committee are aware that this Court and the office of the United  
8 States Trustee, as well as the Committee members, will carefully scrutinize the compensation  
9 applications of all professionals.

10 6. The Deutsche Bank document request, which will constitute part of the Deutsche  
11 Bank deposition of the Debtors on June 28, seeks information regarding the origination and  
12 management of all of the Debtor's loans pledged to secure the \$36.9 million allegedly owed to  
13 Deutsche Bank [Declaration of Nello Gonfiantini III, doc. 37 para 9]. These loans, and the REO  
14 property that resulted from foreclosure on certain of the loans, constitute a significant portion of  
15 Debtor's assets. Debtor has asserted that the value of the property securing the loans is \$66.29  
16 million [Declaration of Nello Gonfiantini III Docket No.37 par 11]. The Committee and FTI are  
17 not in a position to determine, at this point, what time periods might be "relevant" to their  
18 inquiries regarding these loans and the collateral securing them. By way of example, however, the  
19 look-back period for certain types of avoidance actions extends to four years after the transfer  
20 [NRS Chapter 112.230]. Neither USB nor Taberna has submitted any declarations supporting  
21 their assertion that the investigation of these documents might be unnecessary. The Committee  
22 must also understand the collateral securing the Deutsche Bank loans in order to be prepared to  
23 appropriately respond to any actions Deutsche Bank may seek to take regarding this collateral.  
24 The Committee should not be required to limit the scope of its inquiry into Debtors' affairs at this  
25 early stage merely in order to save expenses. FTI has the ability to research large document  
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1 productions using cost-efficient computer programs. These tools are not available to the  
2 Committee or its counsel.

3 7. The Committee has, from the outset of this case, discussed sharing information with  
4 unsecured creditors. These discussions have been held between myself and Taberna counsel  
5 following the June 2 hearings in this case. They have not been pursued by Taberna counsel. The  
6 Committee remains, and will remain, willing to share information to the extent permitted by its  
7 agreements with the Debtors. In addition, the Debtors are obliged to provide information to  
8 parties in interest under appropriate circumstances. Taberna has not demonstrated that it has  
9 either sought or been deprived of any information by either the Committee, the Debtors or their  
10 proposed financial advisors.  
11

12 DATED this 22<sup>nd</sup> day of June, 2010.

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Kaaran E. Thomas (NV Bar No. 7193)